

Message Text

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72

ACTION EB-11

INFO OCT-01 NEA-14 ISO-00 L-03 AGR-20 CIAE-00 COME-00

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FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 6177

INFO AMCONSUL KARACHI

AMCONSUL LAHORE

LIMITED OFFICIAL USE ISLAMABAD 7619

E.O. 11652: N/A

TAGS: ETRD, EAGR, ETRD, ECON, PK

SUBJECT: PAKISTAN TEXTILE INDUSTRY CRISIS AND UPCOMING BILAT-
ERAL TEXTILE NEGOTIATIONS

REF: (A) KARACHI 1563

(B) STATE 165128

(C) KARACHI 1627 (NOTAL)

SUMMARY. EMBASSY CONCURS FULLY WITH INFO AND ANALYSIS IN
KARACHI REF C WHICH WE ARE REPEATING TO DEPARTMENT. EMBASSY
AGREES THAT GOP IS LIKELY REQUEST LIBERALIZATION OF PAK
TEXTILE QUOTA. END SUMMARY.

1. CONGEN KARACHI HAS PRESENTED EXCELLENT AND FULL PICTURE
OF PRESENT PAKISTAN TEXTILE CRISIS IN REF C. HERE IN
ISLAMABAD EMBOFFS CALLED ON COMMERCE JOINT SECRETARY FOR
EXPORTS AND INSURANCE A. S. KAUSAR ON AUGUST 1 AND WERE
TOLD THAT THE GOP CONSIDERED THE SLUMP IN WORLD MARKET FOR
COTTON YARN AS THE MAIN CAUSE OF THE TEXTILE CRISIS. THE
JAPANESE AND HONG KONG MARKETS WERE POINTED OUT AS PARTI-
CULARLY TROUBLESOME AREAS. KAUSAR INDICATED THAT SINCE
DECEMBER ORDERS FOR YARN FROM THESE TWO COUNTRIES HAD BEEN
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DECLINING WITHOUT REGARD TO PRICE. THE VALUE OF EXPORTS OF

COTTON YARN OVER THE SEPTEMBER 73-APRIL 74 PERIOD IS LITTLE MORE THAN HALF THE EXPORTS DURING THE SAME PERIOD OF 1972-73. PRELIMINARY FIGURES FROM INDUSTRY SOURCES INDICATE THAT MARKET FOR PAKISTANI YARN, HAVE DECLINED DURING THIS PERIOD BY AS MUCH AS 90 PERCENT. DEMAND HAS SLACKENED ALSO FROM BOTH HONG KONG AND INDONESIA, WHICH ARE THE OTHER IMPORTANT MARKETS FOR PAK COTTON YARN.

2. MOST OF THE DIFFICULTIES FACING THE INDUSTRY ARE IN THE YARN SECTOR. TEXTILE CLOTH EXPORTS HAVE HOWEVER ALSO BEEN AFFECTED. ACCORDING TO STATISTICS FROM PAKISTAN TEXTILE MILLS ASSOCIATION, THE QUANTITY OF COTTON CLOTH EXPORTED WORLDWIDE DURING FIRST FOUR MONTHS OF 1974 (107 MILLION SQUARE YARDS) WAS 42 PERCENT LOWER THAN COMPARABLE PERIOD LAST YEAR. IN VALUE THESE EXPORTS EARNED \$30 MILLION, THAT IS, 11 PERCENT LESS THAN LAST YEAR FOR SAME FOUR-MONTH PERIOD.

3. KAUSAR ASSUMED EMBOFFS THAT THERE WAS NO WAIVER, EXEMPTION OR REBATE ON PAKISTAN'S EXPORT DUTY FOR TEXTILES. THE TAX WAS NON-DISCRIMINATORY TOWARD ALL EXPORT MARKETS AND THE GOP WAS FULLY AWARE OF ITS GATT OBLIGATIONS IN THIS REGARD.

4. COMMENT. EMBASSY AGREES WITH CONGEN KARACHI THAT GOP IS LIKELY TO REQUEST LIBERALIZATION OF PAK TEXTILE QUOTA AND IN SUPPORT OF ITS CASE WILL CITE CURRENT DIFFICULTIES FACED BY THE TEXTILE INDUSTRY. END COMMENT.LUPPI

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